

Fake Money Undermines Confidence

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Even the introduction of a new currency has failed to end the old problem of counterfeiting.

The only thing distinctive about the counterfeit 250 Iraqi dinar note is a slight discolouration of the dye and a missing horse's head watermark.

Slight as they seem, these differences portend the return to Iraq of a problem many people hoped had disappeared with the introduction of a completely new currency last December.

Until then, Iraqis had been using stacks of "Saddamiyat" – 250 dinar notes which carried the portrait of former President Saddam Hussein – whose cheap paper and dyes made them easy to copy.

For many Iraqis, the flood of counterfeit money under the old regime symbolised the weakening of the economy under sanctions imposed by the United Nations Security Council.

Many people are beginning to view the surge of new counterfeits as the latest disappointment in post-war Iraq.

When the Saddamiyat bills were replaced with new notes last year, the Coalition Provisional Authority claimed counterfeit currency would be much more difficult to produce.

But to the surprise of many people, fake banknotes from 250 dinars all the way up to 25,000 dinars (about 18 US dollars) began appearing just months after the introduction of the new currency.

"We didn't believe it when we first heard about forged money, but after a while we found that it was in wide circulation," says Abd al-Hadi Rahma, 32, who owns a Baghdad currency exchange.

"We are back to the same old situation that we had under Saddam, when forged money spread nationwide without anyone doing anything about it," Rahma says.

Officials were reluctant to comment on the new development.

Ghassoun Samuair, director of accounts at the central bank, confirmed that forged currency "is a problem" but he referred further questions to the Ministry of Finance and the CPA.

IWPR's requests for interviews with the CPA and the finance ministry were turned down.

Neither bank officials nor money changers had any idea who was behind the counterfeiting, but it is assumed that the forged money is being printed abroad.

Wherever they come from, though, the forged bills are depressing the value of the dinar, money changers claim.

In the months since the release of the new currency, the dinar has soared in value to just over 900 to the dollar, only to fall and eventually level off at 1,400 to the dinar.

"There used to be a great deal of demand for the new currency, but now there isn't any longer," said Taleb Said, who works at Baghdad's Jamal exchange. "Kuwaitis and Jordanians bought a lot of the new currency, but now the demand is less because of the counterfeiting."

The fake currency has also depressed domestic confidence in the economy, with some people expressing fears that their salary might be paid in the notes, or that they could receive counterfeit money in commercial transactions.

Iranian pilgrim Shiraz Shahinaki, a visitor to Iraq's Shia shrines, was shocked to find that no one would accept the dinars he purchased to go shopping.

"Oh Iraqis, how quickly did they forge your money!" he lamented.

Some people see one silver lining in the new currency, since – real or fake – it no longer depicts Saddam.

"I don't care whether it's forged or not," said taxi driver Riyadh Mushtiq Salman, 34. "The important thing is that we got rid of the tyrant."

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Location: Iraqi Kurdistan
Iraq

Focus: Iraq

Source URL: <https://iwpr.net/global-voices/fake-money-undermines-confidence>